



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**JACKSON TOWNSHIP
JACKSON COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Jackson Township
Jackson County
060 Twin Bridge Road
Wellston, Ohio 45692

To the Board of Trustees:

We have audited the accompanying financial statements of Jackson Township, Jackson County, Ohio (the Township), as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Jackson Township, Jackson County, as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2002, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

June 21, 2002

**JACKSON TOWNSHIP
JACKSON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$31,946	\$	\$	\$31,946
Intergovernmental	32,179	65,354	79,933	177,466
Earnings on Investments	2,950	4,688		7,638
Other Revenue	1,416	991		2,407
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	68,491	71,033	79,933	219,457
	<hr/>	<hr/>	<hr/>	<hr/>
Cash Disbursements:				
Current:				
General Government	50,396			50,396
Public Safety	9,320			9,320
Public Works	367	52,510		52,877
Health	925			925
Debt Service:				
Redemption of Principal		7,061		7,061
Interest and Fiscal Charges		2,500		2,500
Capital Outlay			90,204	90,204
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	61,008	62,071	90,204	213,283
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/ (Under) Cash Disbursements	7,483	8,962	(10,271)	6,174
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	97,447	148,154	79,995	325,596
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Fund Cash Balances, December 31	\$104,930	\$157,116	\$69,724	\$331,770
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The notes to the financial statements are an integral part of this statement.

**JACKSON TOWNSHIP
JACKSON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Fiduciary Fund Type
	Nonexpendable Trust
Operating Cash Receipts:	
Earnings on Investments	\$128
Total Operating Cash Receipts	128
Net Cash Receipts Over/(Under) Cash Disbursements	128
Fund Cash Balances, January 1	3,855
Fund Cash Balances, December 31	\$3,983

The notes to the financial statements are an integral part of this statement.

**JACKSON TOWNSHIP
JACKSON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$31,608	\$	\$	\$31,608
Intergovernmental	56,773	63,256	74,707	194,736
Earnings on Investments	4,104	6,851		10,955
Other Revenue	6,236			6,236
Total Cash Receipts	98,721	70,107	74,707	243,535
Cash Disbursements:				
Current:				
General Government	59,296			59,296
Public Safety	9,070			9,070
Public Works	356	52,474		52,830
Health	3,968			3,968
Capital Outlay		46,937	82,513	129,450
Total Cash Disbursements	72,690	99,411	82,513	254,614
Total Cash Receipts Over/ (Under) Cash Disbursements	26,031	(29,304)	(7,806)	(11,079)
Other Financing Receipts/(Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Notes		40,000		40,000
Sale of Fixed Assets		6,937		6,937
Total Other Financing Receipts/(Disbursements)	0	46,937	0	46,937
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	26,031	17,633	(7,806)	35,858
Fund Cash Balances, January 1	71,416	130,521	87,801	289,738
Fund Cash Balances, December 31	\$97,447	\$148,154	\$79,995	\$325,596

The notes to the financial statements are an integral part of this statement.

JACKSON TOWNSHIP
JACKSON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2000

	<u>Fiduciary Fund Type</u>
	<u>Nonexpendable Trust</u>
Operating Cash Receipts:	
Earnings on Investments	\$98
Total Operating Cash Receipts	98
Net Cash Receipts Over/(Under) Cash Disbursements	98
Fund Cash Balances, January 1	3,757
Fund Cash Balances, December 31	<u><u>\$3,855</u></u>

The notes to the financial statements are an integral part of this statement.

**JACKSON TOWNSHIP
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Jackson Township, Jackson County (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees and a publicly-elected Clerk. The Township provides general governmental services including road and bridge maintenance and cemetery maintenance. The Township also contracts with the Village of Coalton and Jefferson Township, Ross County to provide fire services.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining and repairing Township roads.

Motor Vehicle License Tax Fund - This receives motor vehicle license tax money to pay for constructing, maintaining, and repairing Township roads.

**JACKSON TOWNSHIP
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Capital Project Funds

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project fund:

Sales Tax Fund – This fund received sales tax monies from the County Auditor to finance major capital projects.

5. Fiduciary Funds (Trust Funds)

These funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Township to maintain the corpus of the trust, the fund is classified as a non-expendable trust fund. The Township had the following Non-Expendable Trust Funds:

K-B Cemetery Trust Fund – The monies in this fund are held in a certificate of deposit. The Township received interest income from this account bi-annually.

Limerick Cemetery Trust Fund – The monies in this fund are held in a certificate of deposit. The Township received interest income from this account bi-annually.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled and re-appropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

**JACKSON TOWNSHIP
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Township maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2001	2000
Demand deposits	\$333,753	\$327,451
Certificates of deposit	2,000	2,000
Total deposits	\$335,753	\$329,451

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$95,000	\$68,491	(\$26,509)
Special Revenue	69,500	71,033	1,533
Capital Projects	77,498	79,933	2,435
Fiduciary	90	128	38
Total	\$242,088	\$219,585	(\$22,503)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$93,220	\$61,008	\$32,212
Special Revenue	121,000	62,071	58,929
Capital Projects	120,000	90,204	29,796
Fiduciary			0
Total	\$334,220	\$213,283	\$120,937

**JACKSON TOWNSHIP
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$70,000	\$98,721	\$28,721
Special Revenue	68,000	117,044	49,044
Capital Projects	75,000	74,707	(293)
Fiduciary	90	98	8
Total	\$213,090	\$290,570	\$77,480

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$87,120	\$72,690	\$14,430
Special Revenue	87,000	99,411	(12,411)
Capital Projects	105,000	82,513	22,487
Fiduciary			0
Total	\$279,120	\$254,614	\$24,506

Contrary to Ohio law, the township did not encumber all funds prior to being expended. Also contrary to Ohio law, expenditures exceeded appropriations in the Motor Vehicle License Fund by \$30,465 (126.9%) in 2000.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

5. DEBT

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
Backhoe Loan	\$32,939	6.25%

The Township purchased a backhoe through a third party financing company to be used for Township road maintenance.

**JACKSON TOWNSHIP
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

5. DEBT (Continued)

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	<u>Backhoe Loan</u>
2002	\$9,561
2003	9,561
2004	9,561
2005	9,561
Total	<u><u>\$38,244</u></u>

6. RETIREMENT SYSTEMS

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost sharing, multiple employer plan. This plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Township has paid all contributions required through December 31, 2001.

7. RISK MANAGEMENT

Risk Pool Membership

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty insurance for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

**JACKSON TOWNSHIP
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

7. RISK MANAGEMENT (Continued)

Risk Pool Management (Continued)

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2001 and 2000 (latest information available):

<u>Casualty Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$23,703,776	\$22,684,383
Liabilities	<u>9,379,003</u>	<u>8,924,977</u>
Retained earnings	<u>\$14,324,773</u>	<u>\$13,759,406</u>

<u>Property Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$5,011,131	\$4,156,784
Liabilities	<u>647,667</u>	<u>497,831</u>
Retained earnings	<u>\$4,363,464</u>	<u>\$3,658,953</u>



**STATE OF OHIO
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Jackson Township
Jackson County
060 Twin Bridge Road
Wellston, Ohio 45692

To the Board of Trustees:

We have audited the accompanying financial statements of Jackson Township, Jackson County, Ohio (the Township), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated June 21, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2001-40740-001 and 2001-40740-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 21, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated June 21, 2002.

This report is intended solely for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a horizontal line extending to the right.

Jim Petro
Auditor of State

June 21, 2002

**JACKSON TOWNSHIP
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2001-40740-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated.

In 2000, expenditures exceeded appropriations in the Motor Vehicle License Fund by \$30,465 (127%).

We recommend the Board of Trustees not approve the disbursement of any Township funds that are not supported by appropriations.

FINDING NUMBER 2001-40740-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) provides no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$1,000 may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

We noted during our testing that 38% of the disbursements for amounts exceeding \$1000 we tested had invoices dated prior to the date of the Township Clerk's certification of funds and "then and now" certificates were not issued.

If expenditures are not properly encumbered and appropriated, disbursements can be made in error or with unavailable funds.

We recommend the Township follow the above guidelines of the Ohio Revised Code Section 5705.41(D) and obtain the Township Clerk's certification of funds prior to committing to a purchase or issue a then and now certificate

**JACKSON TOWNSHIP
JACKSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-40740-001	Ohio Rev. Code Section 5705.41(B): expenditures exceeded appropriations.	Not Corrected	Reissued in the current audit as finding 2001-40740-001
1999-40740-002	Estimated receipts exceeded actual receipts.	Fully Corrected	



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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JACKSON TOWNSHIP

JACKSON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 23, 2002**